

There is no doubt that the U.S.-Korea FTA negotiation that we are here this afternoon to discuss is a huge opportunity. Korea is the world's 10th largest economy and our seventh largest goods trading partner, with an annual GDP rapidly approaching \$1 trillion and a per capita income of over \$20,000. Bilateral trade between our countries already tops \$70 billion.

An agreement will reduce trade barriers for exports of U.S. services, agriculture, and manufactured goods, as well as increase IPR protection. Expanded commercial ties will strengthen our political partnership with this critical ally in Northeast Asia. Indeed, USTR has described this FTA as the most significant trade negotiation in the past 15 years.

As we approach the concluding days of these negotiations, Ambassador Bhatia, I know you will not rest unless this huge opportunity translates into a great deal for the United States. To that end, I will make four brief points:

First, Korea needs to put rice on the *negotiating* table so that our farmers can put their rice on Korean *dinner* tables. U.S. exports of rice are subject to a harsh quota system and industrial use restrictions in Korea. Of the small amount that even makes it into Korea, the overwhelming majority sits in food processing warehouses, not in retail stores. This FTA must have comprehensive product coverage, including meaningful access for rice. Anything less would be a terrible disappointment.

Second, the U.S. beef industry has worked tirelessly to implement BSE safeguards to ensure the safety of U.S. beef. We know that U.S. beef and beef products are safe, regardless of age, so long as specified risk materials have been removed, and we expect the international standard will be formally established shortly. Reports that Korea does not plan to re-open its markets to bone-in beef products notwithstanding scientific evidence are deeply troubling. Korean officials should commit to implementing the OIE recommendation, instead of using U.S. beef as a negotiating ploy. Furthermore, I strongly urge USTR to reject out-of-hand any offer from Korea to allow beef access only in exchange for U.S. abandonment of its rice demands. The exclusion of either rice or beef from this important agreement will risk Congressional passage.

Third, the U.S.-Korea FTA should include a robust investor state dispute settlement mechanism, and I urge the Administration to resist any efforts to limit this vital tool. The model investment

provisions that we have developed in prior agreements are essential to preserving the rights of U.S. investors abroad. At the same time, they are well-balanced so that they do not threaten the ability of our federal or state governments from regulating.

Finally, I remain very concerned about the lack of market access for U.S. autos into Korea. Our market is open, with no non-tariff barriers and a minimal duty. However, Korean duties, taxes, and stealthy and pervasive non-tariff barriers created by an opaque and discriminatory regulatory process combine to effectively foreclose market access for our companies. I reject the claim that Koreans just don't like American cars – the very existence of the barriers proves that the Korean industry knows Korean consumers will buy our cars.

That said, we have to carefully consider the right approach to breaking down these barriers on autos. Managing trade through the establishment of market access quotas is not the answer and will create a dangerous precedent that we can't sustain. We must be able to show U.S. auto makers and their workers that Korea won't establish disguised trade barriers and will instead utilize transparent regulations and standards. Korea's overtures on this issue thus far have been completely unsatisfactory.

Finally, I would like to welcome Mr. Berton Steir representing Paramount Farms of California, which is seeking duty free treatment on pistachios in Korea. Paramount's situation is a prime example of the benefits U.S. interests stand to gain with a robust and comprehensive agreement. Mr. Bhatia, thank you for appearing before us today. I look forward to your testimony.